



Title: I, Payroll/Personnel Manual

Chapter: 28, Section 2, Tax Formulas (TAXES)

Bulletin: TAXES 06-9, Massachusetts State Income Tax Withholding

Date: May 5, 2006

To: Holders of TAXES (State of Massachusetts only)
Personnel User Groups
T&A Contact Points in Massachusetts

Beginning with wages paid for Pay Period 9, the National Finance Center (NFC) will make the following changes to the state of Massachusetts income tax withholdings:

- The exemption allowance for one exemption will increase from \$3,575 to \$3,850. For more than one exemption, the amount for each exemption remains \$1,000 per exemption and the additional amount will increase from \$2,575 to \$2,850.
- The tax credit for head of household will increase from \$103.35 to \$111.30.

No action on the part of the employee or the personnel office is necessary.

To view the updated tax formula, go to NFC's Home Page (www.nfc.usda.gov) and click **Pubs & Forms**. Then on the Pubs & Forms page left-hand menu, click **Tax Formulas** and select the appropriate state from the map provided. Changes to the tax formula are identified by "►◄".

For questions about NFC processing, contact the Payroll/Personnel Call Center at **504-255-4630**.

MARK J. HAZUDA, Director
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Massachusetts State Income Tax Information

State Abbreviation:	MA
State Tax Withholding State Code:	25
Acceptable Exemption Form:	M-4
Basis For Withholding:	State Exemptions
Acceptable Exemption Data:	0, A, B, C / Number of Exemptions
TSP Deferred:	Yes
Special Coding:	Determine the Total Number Of Allowances field as follows: First Position - Refer to the blocks under Item 5 on the M-4. Enter 0 (zero) if no blocks have been checked. Enter A if Block A has been checked (head of household). Enter B if Block B <i>or</i> C has been checked (employee or spouse is blind). Enter C if Block B <i>and</i> C has been checked (employee and spouse are blind). Second and Third Positions - Enter the total number of exemptions claimed on Line 4 of the M-4. If less than 10, precede with a zero. Note: If Block D has been checked, enter ONL. No tax will be withheld due to limited earnings.
Additional Information:	None

Withholding Formula ►(Effective Pay Period 9, 2006)◄

1. Subtract the nontaxable biweekly Thrift Savings Plan contribution from the gross biweekly wages.
2. Subtract the nontaxable biweekly Federal Health Benefits Plan payment(s) (includes flexible spending account - health care and dependent care deductions) from the amount computed in step 1.
3. Add the taxable biweekly fringe benefits (taxable life insurance, etc.) to the amount computed in step 2 to obtain the adjusted gross biweekly wages.
4. Multiply the adjusted gross biweekly wages times 26 to obtain the gross annual wages.

Note: Do not withhold tax on employees who claim one or more exemptions while making less than \$8,000 annually.

5. Determine the employee's current retirement deduction amount:
 - a. Multiply the year-to-date state taxable wages (not including current wages) by the employee's Federal Insurance Contribution Act (FICA) rate (e.g., 7.65 percent for social security, 1.45 percent for Medicare-only) to obtain the previous year-to-date FICA contribution.
 - b. Add the previous year-to-date FICA contribution computed in Step 5a to the employee's year-to-date contribution to all other retirement systems to obtain the previous year-to-date retirement contribution.

Note: If this amount is greater than \$2,000, the current retirement deduction amount is zero. Omit Steps 5c through 5e and proceed to Step 6.

- c. Multiply the current state taxable wages by the employee's FICA rate (e.g., 7.65 percent for social security, 1.45 percent for Medicare-only) to obtain the current FICA contribution.
- d. Add the current FICA contribution computed in Step 5c to the employee's current contribution to all other retirement systems to obtain the current retirement contribution.
- e. Add the previous year-to-date retirement contribution computed in Step 5b to the current retirement contribution computed in Step 5d to obtain the new year-to-date retirement contribution.

Note: If this amount is greater than \$2,000, the current retirement deduction amount is \$2,000 minus the previous year-to-date retirement contribution (e.g., \$2,000 minus the amount computed in Step 5b).

or

If this amount is less than or equal to \$2,000, the current retirement deduction amount is equal to the current retirement contribution computed in Step 5d.

- 6. Subtract the current retirement deduction amount computed in Step 5, if applicable, from the current adjusted gross biweekly wages computed in Step 3 to obtain the current adjusted gross biweekly wages.

Note: If the employee's current retirement deduction amount computed in Step 5 is zero, the current adjusted gross biweekly wages is the amount computed in Step 3.

- 7. Multiply the current adjusted gross biweekly wages by 26 to obtain the current adjusted gross annual wages.
- 8. Subtract the following amounts, as applicable, from the current adjusted gross annual wages computed in Step 7:

- a. If the employee claims **one exemption only**, deduct ►\$3,850.◄

or

- b. If the employee claims **more than one exemption**, deduct \$1,000 times the number of exemptions plus ►\$2,850.◄

- 9. Multiply the result of Step 8 by 5.30 percent to obtain the annual Massachusetts tax withholding.
- 10. Subtract the following tax credits, as applicable, from the annual Massachusetts tax withholding computed in Step 9:
 - a. If the employee claims head of household, deduct ►\$111.30.◄
 - b. If the employee and/or spouse is blind, deduct \$116.60 for each blind exemption.
- 11. Divide the annual Massachusetts tax withholding by 26 to obtain the biweekly Massachusetts tax withholding.